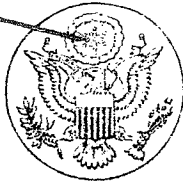


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S/S 7424523



DEPARTMENT OF STATE

Washington, D.C. 20520

December 14, 1974

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MEMORANDUM FOR LIEUTENANT GENERAL BRENT SCOWCROFT
THE WHITE HOUSE

Subject: World Food Conference

Attached for the Secretary's briefing of
the President is an issues paper on World Food
Conference follow-up items.

George S. Springsteen
George S. Springsteen
Executive Secretary *for*

Attachment:
Issues Paper

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WORLD FOOD CONFERENCE FOLLOW-UP

BACKGROUND

At the World Food Conference (WFC) in November, the United States proposed a five-part program to deal with the three basic aspects of the world food problem-- increased food production, food transfers from surplus to deficit areas, and food security. The United States took the initiative in calling for formation of:

- an Exporters Planning Group to stimulate policy planning for maximum production by food exporters;
- a Consultative Group on Food Production and Investment to accelerate production in developing countries by evaluating needs, channeling investment flows from old and new donors, providing technical support and inducing production-oriented policies among recipients;
- a food aid subcommittee of the Consultative Group to involve new donors in financing food transfers under a concept of forward planning of food aid;
- consideration by the new IBRD-IMF Development Committee of mechanisms to resolve the long-term problem of transferring resources for both investment in production and financing food deficits;
- a Reserves Coordinating Group of major grain exporters and importers to develop an international system of national grain reserves to provide reasonable assurance of the availability of adequate supplies of grains.

Additionally, the United States made commitments and offered proposals for improving agricultural research and nutrition levels, especially of vulnerable population groups.

The WFC responded well to the US initiative. It adopted twenty resolutions, some of which are hortatory, but which incorporate most--although not all--of our five core proposals. Specifically, the WFC sanctioned

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-2-

collaboration among the major grain exporters and importers to develop an effective reserves arrangement; it called upon the IBRD, FAO and UNDP to establish the Consultative Group; it did not explicitly provide for a food aid subcommittee, but we believe doing so can be among the Group's first business; it requested the IBRD-IMF Development Committee to consider means to achieve needed resource transfers. But the WFC did not act on endorsing a mechanism for cooperation among food exporters alone, although this lack of an endorsement is not a barrier to establishing a framework for cooperation.

US STRATEGY FOR FOLLOW-UP

United States' initiatives are designed to construct an institutional framework for long-term international cooperation on the food problem. The WFC laid a better basis for cooperation by calling attention to the food problem as one which cannot be resolved by the US alone or by the developed countries together--but only through sustained global action. Our strategy is concerned with the three interrelated elements of food production, financing and security.

Production. We believe that cooperation among the principle exporters can contribute to sustaining high levels of production without creating market depressing surpluses. Structuring their cooperation also will enhance the ability of exporters to deal more effectively with importer demands for grain supplies both on commercial and concessional terms.

Development Financing. The main exporters, who number only five (US, EC, Australia, Argentina and Canada), cannot alone expect to meet the needs of a world population that will nearly double by the end of this century. Increased investment along with important (and potentially unpopular) policy shifts in food deficit developing countries are essential to securing an adequate level of world food production. Securing these elements requires cooperation among the technologically advanced traditional donors, the developing countries with significant production potential, and new donors--the oil exporters. A multi-lateral mechanism (the Consultative Group on Food Production and Investment) offers the best hope for inducing the necessary investment and encouraging production oriented policies in developing countries by the way in which investment flows are directed.

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~~CONFIDENTIAL~~

-3-

Food Aid Financing. We conceive of food aid as being of two distinct types. One type is emergency relief, e.g., Honduras or Cambodia. The other type is a form of balance of payments support particularly suited to the interests of the recipient or of the donor or of both. Through existing international structures and a food aid subcommittee of the Consultative Group, we will work to increase the food aid financing contributions of others, while increasing our production to meet both concessional and commercial demand.

Food Security. Crop shortfalls since 1972 combined with rising demand for food have virtually exhausted the world's reserve cushion against future food emergencies. Record high food prices are one manifestation of the consequences of a tight supply situation; another is the competition for available United States export supplies.

We have taken a major initiative in proposing negotiation of a reserves arrangement that builds upon the FAO-sponsored concept of a system of national reserves held under internationally agreed principles. Our design differs from earlier efforts to conclude commodity agreements, which had price stabilization as the main objective, by focusing instead upon assuring a quantity of grain adequate to provide reasonable security of supply. In this concept, moderation of extreme fluctuations in price would be an important side effect, but changes in price would continue to be the main regulator of production. We are proposing that the major grain exporters and importers--a group of about 20 countries--negotiate such an arrangement.

These initiatives each involve establishing a new multi-lateral mechanism. Each deals with an important part of an overall solution to the food problem. Taken together they would include the major international actors--the grain exporters and traditional aid donors, the USSR in the food security system, the oil exporters as new sources of finance, and the developing countries as investment and food aid recipients.

The food problem is an important aspect of global interdependence. The strategy we are pursuing reflects this fact in the institutions we are proposing to deal with the problem.

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-4-

ISSUES/NEXT STEPS

Securing the cooperation of other grain exporters in a structure for cooperation--an Exporters Planning Group-- requires overcoming their suspicions about both our economic and political objectives. We intend to convene an initial exporters consultation early next year at which we will lay out practical steps toward formation of this Group and the objectives it would serve.

Participation of the oil exporters in arrangements for funding agricultural development and food aid is important. Again, this will be difficult to achieve. These newly rich countries do not necessarily accord high priority to these objectives and they are resistant to multilateral guidance--such as we hope will be provided by the Consultative Group on Food Production and Investment. However, there are possible trade-offs between increased financing of food aid by traditional donors and funding from the oil exporters for capital investment, including agricultural development. It also will be possible to use the proposed Consultative Group on Food Production and investment as a source of technical support for project funding done bilaterally. The IBRD is taking the lead in establishing the Consultative Group, and we expect initial consultations to be held in January.

Both the existing multilateral Food Aid Convention and Consultative Group food aid sub-committee we favor, give donors control of the allocation of food aid. We have responded to the interests of the LDCs in accepting the principle of forward planning for food aid and a 10 million ton annual target, but they also hope to channel more food aid through the UN's World Food Program where they can influence allocation. We will evolve tactics for dealing with this issue in collaboration with the other donors over the coming months.

The other principal prospective members of a grain reserves system have agreed to meet with us early next year to set objectives for negotiations, but there are two important exceptions--the Soviet Union and the PRC. The Soviets maintain cautious interest but without committing themselves. Soviet participation is important and we have informed them that non-participants will not enjoy the same benefits as members. The PRC formally

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-5-

refrained from endorsing the Food Conference call for a reserves arrangement and probably will not participate. While desirable, we do not view PRC participation as essential.

We can hold initial meetings without US decisions on: a) trade objectives (the degree of access to markets we will seek and the relationship of a reserves agreement to the MTN), or b) the role of the US Government in holding or guaranteeing the US share of reserves. But decisions on these issues will be needed when actual negotiations begin.

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